



San Diego
HOUSING COMMISSION

REPORT TO THE CITY COUNCIL

DATE ISSUED: October 15, 2008

REPORT NO: CCR 08-004

ATTENTION: Council President and City Council
For the Agenda of November 18, 2008

SUBJECT: Proposed Amendment to San Diego Housing Trust Fund Ordinance to Increase
Income Limits for Homebuyer Programs

REQUESTED ACTION: Recommend City Council approval of the following amendments to the
Municipal Code sections concerning the Housing Trust Fund as described in this Report.

STAFF RECOMMENDATION: Amend City Municipal Code Chapter 9 Article 8 Division 5 "San
Diego Housing Trust Fund" to allow Housing Trust Fund monies to be used to allow moderate income
households (families with incomes of 80 percent to 120 percent of Area Median Income) to participate
in the Housing Commission's workforce housing home purchase program, whereby the Housing
Commission can provide secondary financing for up to 15 percent of the purchase price and
downpayment assistance.

SUMMARY: In 1990, the San Diego Housing Trust Fund (HTF) was developed to address a wide array
of local housing needs, ranging from transitional programs and permanent supportive housing to
affordable rental housing and homebuyer assistance. The original City Ordinance that created the HTF
included an income ceiling for homebuyer program participants of 100 percent of Area Median Income
(AMI). In addition, the Ordinance limited spending for families with incomes above 80 percent AMI to
no more than 10 percent of the funds in the HTF.

For several years, the Housing Commission's home purchase products, which consist of second position
financing and downpayment assistance, worked well with the federal HOME program, which has a
ceiling of 80 percent AMI. The Housing Commission has a Housing Trust Fund program for
homebuyers with incomes of 80 percent to 100 percent of AMI which is slightly different from the
HOME-funded program, with a cap of fifteen percent participation shared appreciation loan and
downpayment assistance of 4 percent of the purchase price to a maximum of \$10,000.

When the program began, the average income of the families participating in the Housing Commission
homebuyer program was below 65 percent and the average second trust deed loan was below
\$25,000. Very few loans or grants were made to families with incomes near 80 percent AMI. However,
in 2000 prices started to rise and families at 65 percent AMI could not afford to buy, even with the HTF
and other Housing Commission assistance. (See Attachment 3 for recent data.)

Currently, the income profile of the typical Housing Commission buyer is closer to 80 percent AMI and
the average shared appreciation loan is \$75,000 (maximum of 25 percent of the purchase price) which is
paired with downpayment assistance of approximately \$12,000 (6% of the purchase price of \$15,000
maximum). The program experienced a steep decline in participation because so little of the local for-

sale inventory was available at prices that fit within the current program limits. Recent drops in interest rates and property prices have renewed interest in the program.

The impact of the proposed increase in the eligible income would be that more families could qualify to use the Housing Commission program to purchase homes in the city. A family of four earning 120 percent of AMI (income of \$86,500) could qualify to use Housing Commission loan and grant products to purchase homes with an estimated sales price of up to \$440,000, based on a deferred second trust deed loan of 15 percent of the purchase price. To compare, a family with an income at 80 percent of AMI could purchase a home with an estimated sales price of \$360,000, using the current program which allows for a 25 percent deferred loan.

A 2008 update to a Housing Impact Fee Nexus Analysis by Keyser Marston Associates provides data on housing needs and the affordability gaps for various household income levels. The analysis supports utilizing funds for the homeownership program at 120% of AMI. (See Attachment 4.)

The recommended change to 120 percent AMI is consistent with Redevelopment homebuyer program income limits. Consolidating City homebuyer programs into the most workable models will help developers, home buyers, and lenders understand and take advantage of the available assistance.

In addition, the proposed change would have the following benefits:

- Provide a mechanism for working families to purchase homes locally;
- Remove these families from the local rental market (which experienced a thirteen percent average increase in rents over the past year) thus helping to retain overall affordability of local rental housing;
- Enable the Housing Commission to help more families as the per-family subsidy is reduced;
- Enable more families to take advantage of the current slowdown in the market and the increased number of homes for sale;
- And, in some cases, promote neighborhood safety and protect local housing values as families purchase vacant or foreclosed homes.

In response to the subprime lending crisis, lending institutions are curbing access to minimum downpayment home purchase products. In turn, potential homebuyers at a wide range of incomes will be shut out of the market because families do not have the large downpayments needed for traditional home purchase loans. Homebuyers using Housing Commission assistance obtain fixed rate first position mortgage loans based on their incomes, coupled with silent second position loans and downpayment assistance from the Housing Commission program, so they are protected from the volatility of variable interest rate loans and they have a means to deliver the downpayment required by lenders.

The Housing Commission's investment is at risk in a down market. The program must rely on bona fide appraisals to assess its security position and acceptable sales prices; appraisal practices are currently under review by several regulating entities. Staff regularly reviews the program to assure that loan-to-value ratios and other underwriting considerations protect the Housing Commission's investment to the appropriate level. The potential loss of equity due to loss of value is tempered by the fact that the Housing Commission participates in the low end of the market, where the supply of potential buyers has historically been strong. In addition, if the program experiences losses, the Housing Commission can discontinue or reduce program funding through the budget process. Upon resale, the Housing

October 15, 2008

Proposed Amendment to Housing Trust Fund Ordinance

Page 3

Commission will collect the principal amount of its investment and, for 30 years, a proportionate share of any increase in value (appreciation).

FISCAL CONSIDERATIONS:

None with this action.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This proposal was heard and approved at the Housing Commission meeting of March 14, 2008 and approved by a unanimous vote at the Land Use and Housing council committee meeting of June 18, 2008. A second recommendation, to increase the maximum HTF allocation to first time homebuyer programs from ten percent to twenty percent, was not approved and consequently was omitted from this Report.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

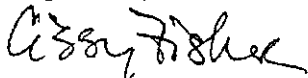
Housing Commission staff spoke with local affordable housing developers who expressed concern that funds usually reserved for rental housing production might be diverted to homebuyers. As noted, the Housing Commission's budget process is a control point for this change. In addition, the Board may direct staff to review the effects of this revision in FY2013 to determine if a roll-back in income eligibility limits is desirable at that time.

Statewide, many local jurisdictions have expressed interest in the proposal due to the extremely high cost of for-sale housing in their locales. Staff members are also talking with Congressional offices about the possibility of updating the HOME Program to allow families with incomes above 80 percent AMI to use HOME-funded home buying assistance. Members of the San Diego City County Reinvestment Task Force expressed concern about the growth in the number of foreclosures in city neighborhoods and viewed this proposal as a positive step to alleviating this condition.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders consist mainly of potential homebuyers who earn more than 80% AMI (\$63,200 for a family of four) and no more than 120% AMI (\$86,500 for a family of four). Secondary beneficiaries could include home sellers, lending institutions and others engaged in residential real estate sales activities.

Respectfully submitted,



Cissy Fisher

Director, Housing Finance

Approved by,



Carrol M. Vaughan

Executive Vice President &
Chief Operating Officer

Attachments:

1. US HUD 2008 San Diego Median Income Chart
2. San Diego Housing Commission First-Time Homebuyer Programs Chart
3. Silent Second Trust Deed Loans 2001 - 2007
4. Keyser Marston Nexus Study update

Hard copies are available for review during business hours at the Office of the City Clerk, 202 C Street, San Diego, CA 92101.

ATTACHMENT 1

U.S. Department of Housing and Urban Development

2008 San Diego Median Income:

\$72,100

*Income Limits 80% and Below are Based on HUD Formula Income
Limits Adjusted for High Housing Cost Area

Family Size	Extremely Low Income			Very Low Income
	30% Income	35% Income	40% Income	50% Income
ONE	\$16,600	\$19,350	\$22,100	\$27,650
TWO	\$18,950	\$22,100	\$25,300	\$31,600
THREE	\$21,350	\$24,900	\$28,450	\$35,550
FOUR	\$23,700	\$27,650	\$31,600	\$39,500
FIVE	\$25,600	\$29,850	\$34,150	\$42,650
SIX	\$27,500	\$32,050	\$36,650	\$45,800
SEVEN	\$29,400	\$34,300	\$39,200	\$49,000
EIGHT	\$31,300	\$36,500	\$41,700	\$52,150

Family Size	Low Income			
	60% Income	65% Income	70% Income	80% Income
ONE	\$33,180	\$35,950	\$38,700	\$44,250
TWO	\$37,920	\$41,100	\$44,250	\$50,550
THREE	\$42,660	\$46,200	\$49,750	\$56,900
FOUR	\$47,400	\$51,350	\$55,300	\$63,200
FIVE	\$51,180	\$55,450	\$59,700	\$68,250
SIX	\$54,960	\$59,550	\$64,150	\$73,300
SEVEN	\$58,800	\$63,650	\$68,550	\$78,350
EIGHT	\$62,580	\$67,800	\$73,000	\$83,400

Family Size	Moderate Income	Moderate Income	Moderate Income	Moderate Income
	90% Income	100% Income	110% Income	120% Income
ONE	\$45,450	\$50,450	\$55,500	\$60,550
TWO	\$51,900	\$57,700	\$63,450	\$69,200
THREE	\$58,400	\$64,900	\$71,350	\$77,850
FOUR	\$64,900	\$72,100	\$79,300	\$86,500
FIVE	\$70,100	\$77,850	\$85,650	\$93,400
SIX	\$75,300	\$83,650	\$92,000	\$100,350
SEVEN	\$80,500	\$89,400	\$98,350	\$107,250
EIGHT	\$85,650	\$95,150	\$104,700	\$114,200

Effective 2/13/08

ATTACHMENT 2

FIRST-TIME HOMEBUYER PROGRAMS

Programs	Area Median Income	Maximum Purchase Price	Loan/Grant Amount	Terms And Conditions	Asset Limitations	Fee Schedule (Effective 1/15/07)
Second Trust Deed Loans						
Shared Appreciation	80%	<p>Federal Funds: \$454,100/single family dwellings and \$375,250/attached units. Regulated by HUD</p> <p>State CalHome Funds: No maximum purchase price. Price paid must be substantiated by a qualified appraiser.</p>	25% of purchase price or appraised value; whichever is less.	Shared Appreciation provision for the full 30 year loan term, no interest and no monthly payments are due.	\$10,000 for first household member and \$500 for each additional household member.	<p>Federal Funds: 1% of loan amount or \$200, whichever is greater.</p> <p>State CalHome Funds: \$50</p>
PROPOSED						
Shared Appreciation	120%	No maximum purchase price. Price paid must be substantiated by a qualified appraiser	15% of purchase price or appraised value; whichever is less	Shared Appreciation provision for the full 30 year loan term, no interest and no monthly payments are due	\$10,000 for first household member and \$500 for each additional household member	1% of loan amount or \$200, whichever is greater
Condominium Conversions	100%	No maximum purchase price. Price paid must be substantiated by qualified appraiser.	15% of purchase price or appraised value; whichever is less.	Shared Appreciation provision for the full 30 year loan term, no interest and no monthly payments are due.	None required	1% of loan amount or \$200; whichever is greater.
Condominium Conversions	80%	\$375,250 Regulated by HUD	25% of purchase price or appraised value; whichever is less.	Shared Appreciation provision for the full 30 year loan term, no interest and no monthly payments are due.	\$10,000 for first household member and \$500 for each additional household member.	1% of loan amount or \$200; whichever is greater.

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Programs	Area Median Income	Maximum Purchase Price	Loan/Grant Amount	Terms And Conditions	Asset Limitations	Fee Schedule (Effective 6/15/07)
City of La Mesa DCCA	80%	\$422,750 Regulated by HUD	\$120,000	The loan term is 30 years. Interest rate is 7% with payments deferred for the term of the loan.	\$10,000 for first household member and \$500 for each additional household member.	No fee to buyer.
Down Payment Loans and Grants						
Down Payment/ Closing Cost Assistance Grant	80%	\$454,100/single family dwellings and \$375,250/attached units. Consistent with HUD maximum.	\$15,000 or 6% of purchase price; whichever is less.	This is a recoverable grant. If property is sold or refinanced within the first six years, the grant is due and payable, plus 5% interest. After six years, the grant is forgiven.	\$10,000 for first household member and \$500 for each additional household member.	\$200
Down Payment/ Closing Cost Assistance Grant	PROPOSED CHANGE 81-120%	\$454,100 Consistent with HUD maximum.	\$10,000 or 4% of purchase price; whichever is less.	This is a recoverable grant. If property is sold or refinanced within the first six years, the grant is due and payable, plus 5% interest. After six years, the grant is forgiven.	\$10,000 for first household member and \$500 for each additional household member.	\$200
Mortgage Credit Certificate (MCC)		STATE REGULATED PROGRAM - CONDITIONS ARE ESTABLISHED BY IRS				
Nontargeted	115%	Resale \$550,310 New \$505,086	15% Tax Credit		None	\$250
Targeted	140%	Resale \$672,600 New \$617,328	20% Tax Credit		None	\$250
Low Income	80%	Resale \$672,600 New \$617,328	20% Tax Credit		None	\$250

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ATTACHMENT 3

Housing Commission Silent Second Trust Deed Loans 2001 – 2007

Ye ar	Number of Loans	Total Loans	Average Loan
2001	90	\$2,810,234	\$31,000
2002	22	683,989	31,000
2003	36	1,873,290	52,000
2004	6	425,250	71,000
2005	6	470,750	79,000
2006	12	863,497	72,000
2007	SApprec: 3	1,688,621	73,000
	Deferred: 34	1,079,617	32,000

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ATTACHMENT 4



KEYSER MARSTON ASSOCIATES.

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

July 31, 2008

Mr. D. Todd Phillips
Director of Policy and Public Affairs
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Re: Housing Impact Fee Update

Dear Todd:

Per your request, we are pleased to provide this letter regarding the City's use of our 2004 Housing Impact Fee Nexus Analysis in updating the housing impact fee levied on commercial and industrial development. In December 2004, Keyser Marston Associates (KMA) completed a report entitled Housing Impact Fee Nexus Analysis, prepared for the City of San Diego. This letter describes why the 2004 report is still valid for fee adjustment purposes and provides a new analysis for the one portion of the 2004 report that is most time sensitive.

The 2004 KMA report contained a comprehensive analysis prepared for the City's use in updating the fee program. In 2002, the City Manager initiated an Affordable Housing Task Force to examine the housing crisis and make recommendations. In October 2003, the Housing Commission was directed to contract for the new nexus analysis whereupon the Commission retained Keyser Marston Associates. In addition, KMA had prepared the analysis originally used to support the program adoption in 1992.

The housing impact fees enacted in 1992 ranged from roughly \$ 0.52 to \$2.12 per square foot of commercial and industrial space, depending on the specific building type. In 1996 the fee levels were reduced by half and have remained unchanged since then. The 2004 report and this update letter provide the supporting materials to enable the City to consider raising fees at this time:

In addition to KMA's past experience in preparing housing nexus analyses for San Diego, KMA has worked extensively in the San Diego region for many public agencies including providing other services to the Housing Commission. This letter has also been prepared drawing from KMA's extensive experience with jobs housing nexus analyses

Mr. D. Todd Phillips
San Diego Housing Commission

July 31, 2008
Page 2

for a broad range of jurisdictions over the past eighteen years. Specifically, KMA has assisted other jurisdictions by preparing similar letters and partial updates that have been used to enact fee adjustments. We believe that this letter and updated analysis can meet the City's documentation needs for adjusting the fee program.

This letter/update is organized to provide comments on each section of the 2004 report and a summary of the new analysis portion. The new analysis portion of the 2004 report is on the affordability gap, or the cost of subsidy for each affordable unit by affordability level. An attachment to this letter provides the technical analysis of the 2008 affordability gap and an explanatory narrative.

2004 Report – Update by Section

- **Section I – Nexus Concept and Major Issues** contains a generalized discussion of the nexus concept and underlying assumptions regarding growth in jobs and housing demand. This section is not time sensitive and would be virtually unchanged were the report fully updated.
- **Section II – Economic Climate and Analysis Inputs** presents historical information on the growth of jobs, jobs by industry, jobs by industry characteristics of employees and their households in San Diego and other inputs to the nexus analysis. Much of the information is drawn from the U.S. Census 2000 which is still the most recent available. Future projections from SANDAG are also provided to help make the case that the need for affordable units is expected to continue to grow in San Diego. This section is arguably not necessary for a nexus analysis and therefore any dated aspects are not critical to the underlying nexus. Furthermore, use of more current data would not alter the fundamental conclusions.
- **Section III – Micro Economic Jobs Housing Analysis.** This section is the core of the nexus analysis. This analysis links new buildings by type (office, retail, etc.) to the demand for additional housing by affordability level. Seven building types were analyzed, following direction from a task force of City staff representing the various departments that collect and administer the fee program. The analysis quantifies the demand for housing per square foot of building area for each type of building, starting with a density of employment assumption that differs for each building type. The occupational composition of the employees in each type of building is then used to determine compensation level. After an adjustment to place workers into households, the households are sorted by affordability level, or their relation to the San Diego median income level. This analysis does use wage and salary information from the state and income definitions that do change with time, but they tend to

change with some consistency to each other. As a result, the basic findings of the analysis do not change significantly from year to year, but rather they may shift somewhat over a longer period.

Following are the key findings by affordability level for each of the building types:

	Percent of New Households						
	OFFICE	HOTEL	RETAIL/ ENTRTNMNT	HOSPITAL/ MEDICAL	MNFCTRNG/ INDUSTRIAL	WRHSING/ STORAGE	EDUCATION
All New Worker Households	229	115	164	191	115	29	82
INCOME CATEGORY (% Median Income)							
Under 50%	3%	28%	26%	7%	8%	10%	5%
50% to 80%	20%	51%	44%	26%	26%	30%	22%
80% to 120%	22%	10%	17%	20%	20%	25%	19%
Total	45%	90%	87%	52%	54%	64%	46%

While the percentage distribution findings indicated above will have changed slightly since the 2004 analysis, the basic pattern of employee household distribution would be very similar if reanalyzed with more current information.

The findings with respect to number of households in each income/affordability level are summarized below. The summary below indicates the findings after an adjustment for commuting, which reflects the Census finding that 58% of those who work in the City of San Diego also live in the city. The findings are expressed as number of worker households per 100,000 square foot building modules. Figures per square foot building area, which are awkward fractions, are contained in the 2004 report.

	Number of New Households ¹						
	OFFICE	HOTEL	RETAIL/ ENTRTNMNT	HOSPITAL/ MEDICAL	MNFCTRNG/ INDUSTRIAL	WRHSING/ STORAGE	EDUCATION
INCOME CATEGORY (% Median Income)							
Under 50%	4	19	25	7	5	2	2
50% to 80%	26	34	42	29	18	5	11
80% to 120%	29	7	16	22	14	4	9
Total	59	60	83	58	36	11	22

¹ Per 100,000 sq. ft. of building area

The above findings are the essential findings of the nexus analysis.

Mr. D. Todd Phillips
San Diego Housing Commission

July 31, 2008

Page 4

- **Section IV – Total Housing Nexus Costs** is the section for which a new analysis has been prepared. In this section the cost of delivering housing to the households at the various affordability levels is quantified. The cost of delivering housing is often referred to as the affordability gap, or the gap between the cost of developing the units and the price or value of the unit at various affordability levels.

Following is a very brief summary of the analysis and findings; an appendix to this letter provides a more complete description of the analysis, assumptions and findings and tables presenting the full analysis.

The affordability levels reexamined for this update program are Very Low Income at 50% Area Median Income (AMI), Low Income at 80% AMI, and Moderate Income at 120% AMI. For the two lower income tiers, the affordability gap to house these worker households in rental apartments is quantified and for the moderate income tier, the affordability gap for condominium units is quantified. KMA coordinated with City staff to identify the most appropriate development profile and cost schedule for both the apartment and condominium projects for affordability gap purposes. In both cases, the goal was to use projects that are representative of the types of housing likely to be assisted by the Housing Commission, and to use conservative cost assumptions so as to avoid overstating the affordability gap in the vast majority of cases.

The affordability gap for each income affordability tier is indicated below, for the average two bedroom unit accommodating a three person household (HH). The gap for the Very Low Income household assumes use of the Federal Low Income Housing Tax Credit (LIHTC) program whereas the Low Income household unit is not eligible for use of the program.

<u>HH Income Tier</u>	<u>Type of Unit</u>	<u>Affordability Gap</u>
Very Low Income	Rental Apt (LIHTC)	\$145,000
Low Income	Rental Apt	\$167,000
Moderate Income	Condominium	\$139,000

The final step of the nexus cost analysis applies the number of households at each affordability level as determined at the conclusion of Section III to the affordability gap cost for each household. Since the findings at the end of Section III are for building modules of 100,000 square feet, the nexus cost per square foot is computed by dividing the results by 100,000.

The results of the nexus cost analysis per square foot of building area, for each of the building types is summarized below.

Building Type	Nexus Cost
Office	\$90.32
Hotel	93.80
Retail/Entertainment	128.63
Hospital/Medical	88.75
Manufacturing/Industrial	55.58
Warehousing/Storage	16.39
Educational	33.78

The figures presented above represent the total nexus cost, or maximum fee level supported by the analysis. Fees may be set at any level below the above costs; they are not recommended fee amounts.

- **Section V – Materials to Assist in Updating the Fee Program** is not part of the nexus analysis. This section of the report presents additional information and suggested approaches for identifying an appropriate fee level for San Diego.

This section of the report has not been updated; however, most of the material within the section is still relevant and may be helpful to those evaluating and selecting fee levels for the program update and adjustment. One of the materials is a summary of total development costs for the types of buildings covered by the program, enabling one to put alternative housing impact fee levels into the context of total costs. A chart summarizing Housing Impact Fee adopted in other jurisdictions is also provided.

Overall Comment on the Update

Use of the 2004 nexus analysis plus the updated information on affordability gaps produces analysis findings on total nexus costs, or maximum fees supported, that are far in excess of fee levels that will be considered in San Diego. Given the current level of fees in San Diego, new fees under consideration are likely to be under 10% of the analysis findings for most, if not all, building types. For this reason, any slight shifts in the nexus findings summarized in Section III that was not reanalyzed, would have minimal bearing on overall results and the selection of new fees to be enacted as part of the update program.

In conclusion, in our opinion the 2004 Keyser Marston Associates report plus this update of affordability gap costs, fully meet the needs of the California Code for a nexus analysis in support of an update to the Housing Impact Fee program in the City of San Diego.

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Mr. D. Todd Phillips
San Diego Housing Commission

July 31, 2008
Page 6

Very Truly Yours,

KEYSER MARSTON ASSOCIATES, INC.

Kate Earle Funk

APPENDIX – UPDATED TOTAL HOUSING NEXUS COSTS

This Appendix updates Section IV of the 2004 report entitled Housing Impact Fee Nexus Analysis, prepared by Keyser Marston Associates for the City of San Diego. It is an appendix to the Housing Impact Fee Update letter, dated July 31, 2008. Section IV of the Nexus Analysis merges the number of households in the various affordability categories associated with each building type with the cost of assistance to make housing units affordable to the households. In the 2004 report, KMA quantified the number of households by affordability level associated with the seven building types in San Diego. This Appendix puts a cost on each unit at each affordability level to produce the "total nexus cost."

A key component of the analysis is the size of the gap between what households can afford and the cost of producing additional housing in San Diego. The analysis uses a standard methodology to determine what households can afford and compares that to the cost of developing housing.

The analysis is conducted for three affordability levels addressed in the 2004 assignment: Very Low Income (below 50% median) Low Income (50% to 80% median), and Moderate Income (80% to 120% median). The assumption is that the two lower income categories would be housed in rental apartment units and the more middle income category would be housed in ownership units.

Income and Household Size Assumptions

Income definitions for housing programs are established by HUD and issued by the State Department of Housing and Community Development (HCD), for each county (Area Median Income or AMI) for varying household sizes, as summarized in Table A-1. In order to determine the affordability gap, there is a need to match a household at each income level with a unit type and size according to governmental regulations and policies. The average three person household is assumed to be accommodated in a two bedroom unit.

Rental and Ownership Prototypes

The prototypical project for both rental and ownership units represent the lower end of the average range for what the private sector is currently developing in San Diego at this time. They were selected based on input from Housing Commission staff. The prototypes in this Appendix represent projects located outside of Center City; projects in Center City would be more expensive to build due to higher land costs and higher densities (and therefore, more expensive construction types), which would result in even larger affordability gaps than those presented in this Appendix.

The unit type for the two lower income categories is a stacked flat apartment project, wood frame construction over a podium, built at a density of about 80 units per acre. The two-bedroom unit is 800 square feet. Subterranean and podium parking is at 1.75 spaces per unit.

The ownership product is a stacked flat developed at 45 units per acre. The construction is wood frame over podium parking, at 2.0 spaces per unit. Consistent with market averages, this two-bedroom unit is 1,000 square feet.

The income level at the top end of the income category is used in the analysis. This is a conservative assumption which produces a lower affordability gap average than reality since not all households have income at the top end of the range. For example, in the moderate income category which is 80% to 120% of median, the analysis is run at 120% when clearly most household in the category have incomes of less than 120% of Area Median Income.

Development Costs

The cost of developing new residential units in San Diego was assembled from a number of sources. The City of San Diego provided a pro forma from several recent low income tax credit projects that the City assisted. For the for-sale prototype, KMA relied on a prototype developed by KMA for a separate, recent analysis for the City of San Diego.

Both the rental and the for sale products represent the lower end of the current cost experience range in the City of San Diego, with the exception of the South Bay area, which has different economic conditions from the rest of San Diego.

Total development costs include direct construction costs, a host of indirect costs (such as permits and fees, design and engineering, marketing and leasing or sales costs), financing costs and land costs. Detailed information is provided at the end of this section.

Compared to the 2004 analysis, which modeled a garden style apartment, the current estimate of development costs for apartment units is significantly higher. This is due to several factors, including the more expensive product type, more expensive parking location, higher land costs, the inclusion of prevailing wages, and general construction cost increases over the past four years. In 2004, total development costs for the garden style apartment prototype totaled \$148,000 per unit. Today, we estimate total development costs for a stacked flat unit on a podium with a level of underground parking at \$294,000. This is consistent with the total costs for projects recently assisted by the Housing Commission.

Total development costs per unit for the stacked flat apartment prototype are as follows:

Land	\$40,000
Direct Construction	195,000
Indirects	43,000
Financing	<u>16,000</u>
Total (rounded)	\$294,000

For purposes of the Very Low Income (under 50% median) category, the assumption is that the Federal Low Income Housing Tax Credit program, coupled with special financing, would be available. These two programs substantially reduce the affordability gap by providing an equity source from the tax credits (\$118,000 per unit) and lower cost financing. Use of these programs would, however, increase total construction costs, as the developers require a significantly higher developer fee and there are added financing costs such as tax credit syndication costs. With these additions, total development costs per very-low income unit are approximately \$327,000. See Table A-3 for more information on cost items.

For the ownership prototype, total development costs are as follows:

Land	\$48,000
Direct Construction	228,000
Indirects and Financing	103,000
Developer Profit	<u>46,000</u>
Total	\$426,000

See Tables A-4 and A-5 for more information. Again, this is significantly higher than total development costs in 2004, which totaled \$330,000.

Affordable Rents, Unit Values, and Sales Prices

The next step to determining the affordability gap is to identify the maximum rent level or sales price affordable to each of the three income categories. This step is basically done via formula per federal and state standards and local policies. The key elements of the analysis are:

- A three person household in a two bedroom unit (therefore using the income level for a three person household).
- For rental units, 30% of monthly income is assumed available for rent and utilities. The monthly utility allowance is established by the local Housing Commission.
- For ownership units, 35% of monthly income is assumed available for mortgage, utilities, property taxes, insurance and homeowners association.

- For ownership units, the mortgage assumption is 5% down payment, and 6.25% mortgage rate, on a 30-year fixed mortgage.

Rental Units

The affordable rent calculations for the very low and low income households are provided in Table A-6. The three person household at very low income can afford \$848 per month rent and the same size household at low income, \$1,383 per month rent.

Rental income must be converted to a value supported per unit for affordability gap purposes. The first step is to establish net operating income per unit, or income after other miscellaneous income (laundry, etc.) and adjustment for normal vacancy and operating expenses. In the very low income unit, the income stream covers the operating costs with \$5,290 remaining. In the low income unit, the net operating income is \$10,140 per unit.

In Table A-7, the analysis to establish value supported for each unit is provided. The very low income unit is assumed within a project that qualifies for the federal low income tax credit program and also low interest financing. As a result, the total investment supported, including the tax credit value of \$118,000 per unit, is \$182,000 per unit, resulting in a gap of \$145,000 per unit.

The low income unit does not qualify for the federal tax credit program. As a result, it cannot have the advantage of the tax credit equity. Total value supported is lower than the very low income unit, at \$127,000 per unit.

The affordability gap is the difference between the value supported and the cost of development, or the assistance needed from other sources such as the Housing Commission. The calculations for the two income levels are as follows:

<u>Income Category</u>	<u>Development Cost</u>	<u>Affordable Unit Value/Price</u>	<u>Affordability Gap</u>
Very Low Income (50% AMI)	\$327,000	\$182,000	\$145,000
Low Income (80% AMI)	294,000	127,000	167,000

Ownership Units

A parallel analysis is conducted for ownership units. The value supported, or sales price affordable, is based on a 35% share of income and assumptions with respect to the financing available. The assumptions used in this analysis are 5% down payment, 6.25% interest on a 30-year fixed rate mortgage. In addition, annual homeowners association dues, insurance and utilities as well as property taxes are deducted before the supportable mortgage amount is computed. Table A-8 summarizes the analysis.

The moderate income household (120% median income) can afford a unit that costs \$286,000. The affordability gap is the difference between the sales prices afforded and the cost of development, as follows:

<u>Income Category</u>	<u>Development Cost</u>	<u>Affordable Unit Value/Price</u>	<u>Affordability Gap</u>
Moderate Income (120% AMI)	\$426,000	\$287,000	\$139,000

Total Nexus Costs

The last step in the nexus analysis marries the findings on the numbers of household for each income category associated with each of the seven building types, per the end of Section III of the 2004 report, with the affordability gaps.

Table A-9 summarizes the analysis. The numbers of households associated with each building type by income category, indicated on the left side of the table assume 100,000 square foot buildings. The "Nexus Cost per Square Foot" is the result of the calculation: number of units times the affordability gap, divided by 100,000 sq. ft. to bring the conclusion back to the per square foot level.

Commute Adjustment

The total nexus costs are calculated for the total impact as indicated in the upper portion of the table, and after an adjustment for the fact that only a share of the worker households will seek housing in the City of San Diego. The 2000 Census found that 58% of those who work in the City of San Diego also live in the City of San Diego. With a 58% share, a far lower nexus cost is determined from the analysis, as shown in the lower portion of the table.

The total nexus costs for the seven building types, after the commute adjustment, are as follows:

Office	\$90.32
Hotel	93.80
Retail/Entertainment	128.63
Hospital/Medical	88.75
Manufacturing/Industrial	55.58
Warehousing/Storage	16.39
Educational	33.78

With or without the commute relationship adjustment, the total nexus cost for each building type is far in excess of any reasonable fee amount likely to be considered.

Conservative Assumptions

The nexus costs are high due to a combination of factors, the principal ones being:

- The high cost of developing housing in San Diego relative to income levels
- The extent of income categories covered in the analysis, all the way up to 120% of median for this update.

In establishing the total nexus cost many conservative assumptions were employed in the analysis that result in a total nexus cost that is probably understated. These conservative assumptions include:

- The commute adjustment, or target, assumes that 58% of all new employee households are targeted to be accommodated in San Diego. This was the existing condition in 2000 and was already driven by affordability constraints. The City could readily adopt a policy to house more than 58% of its new worker households.
- All affordability gap calculations are made using the top end of the income range. For example, all very low income households are assumed to have incomes at 50% of median, when in fact, many have incomes below 50%. Using the average or mid point of the income range would produce significantly higher affordability gaps and total nexus cost conclusions.
- No Census or other hard data was available enabling a differentiation between the household size composition of office/high tech workers, hotel workers and retail sales people. Anecdotally one can observe that there are probably some significant differences.
- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include janitors, window washers, landscape maintenance people, delivery personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also "contract out" a number of services that are not taken into account in the analysis. The analysis does not employ multipliers. Also construction workers are not included in the analysis.

In summary, many less conservative assumptions could be made that would result in higher linkage costs.

The total nexus cost represents the ceiling, supported by this analysis, for any requirement to be placed on new construction for affordable housing. They represent only maximums and, in no way, should be construed as recommended fee amounts.

TABLE A-1
SUMMARY OF INCOME DEFINITIONS, 2008
HOUSING IMPACT FEE NEXUS ANALYSIS
CITY OF SAN DIEGO

INCOME - UPPER END FOR EACH CATEGORY

Family Size	Very Low Income 50% AMI	Low Income 80% AMI	Moderate Income 120% AMI
1 Person	\$27,650	\$44,250	\$60,500
2 Persons	\$31,600	\$50,550	\$69,200
3 Persons	\$35,550	\$56,900	\$77,900
4 Persons	\$39,500	\$63,200	\$86,500
5 Persons	\$42,650	\$68,250	\$93,400

000716

**TABLE A-2
RENTAL PROJECT DEVELOPMENT PROFILE
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Product Type	Stacked Flats	
Construction Type	Type V	
Tenure	Rental	
Site Area	54,450 SF 1.3 Acres	
Number of Stories	4 Stories	
Unit Mix	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom	100 Units	800 SF
Density	80.0 Units/Acre	
Gross Building Area		
Residential Net Building Area	80,000 SF	
Building Efficiency	82%	<u>17,600 SF</u>
Total Gross Building Area (GBA)	97,600 SF	
FAR	1.79	
Parking		
Type	Podium/Subterranean	
Number of Parking Spaces	175 Spaces	
Parking Ratio (Space/Unit)	1.75 Spaces/Unit	

TABLE A-3
 RENTAL PROJECT DEVELOPMENT COSTS
 HOUSING IMPACT FEE NEXUS ANALYSIS
 SAN DIEGO HOUSING COMMISSION

	(Market and 80% AMI)			LOW INCOME HOUSING TAX CREDITS (50% AMI)		
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
Site Costs:	\$4,000,000	\$40,000	\$73 Per SF of Site Area	\$4,000,000	\$40,000	\$73 Per SF of Site Area
Direct Costs:	\$19,520,000	\$195,200	\$200 Per SF of GBA	\$19,520,000	\$195,200	\$200 Per SF of GBA
Indirect Costs:	\$4,294,400	\$42,944	22.0% of Directs	\$6,832,000	\$68,320	35.0% of Directs
Financing Costs:	\$1,561,600	\$15,616	8.0% of Directs	\$2,342,400	\$23,424	12.0% of Directs
Total Development Costs	\$29,376,000	\$293,760	\$301 Per SF GBA	\$32,694,400	\$326,944	\$335 Per SF GBA
Or Say (Rounded)	\$29,380,000			\$32,690,000		

000718

**TABLE A-4
OWNERSHIP PROJECT DEVELOPMENT PROFILE
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION**

Product Type	Stacked Flat	
Construction Type	Type V - Wood-frame over parking podium	
Tenure	For-Sale	
Site Area	43,560 SF 1.0 Acres	
Number of Stories	3 Stories over parking podium	
Unit Mix	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom	45 Units	1,000 SF
Density	45.0 Units/Acre	
Gross Building Area (GBA)		
Residential	45,000 SF	
Common Areas @	15.0%	<u>7,900</u> SF
Total Gross Building Area	52,900 SF	
FAR	1.21	
Parking		
Type	Structured	
Parking Ratio - Residential	2.0 Spaces/Unit	
Total Number of Spaces	90 Spaces	

000719

TABLE A-5
OWNERSHIP PROJECT: DEVELOPMENT COSTS
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION

	Base Case		
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
Site Costs	\$2,178,000	\$48,400	\$50 Per SF of Site Area
Direct Costs	\$10,277,000	\$228,000	\$194 Per SF GBA
Indirects and Financing Costs	<u>\$4,639,000</u>	<u>\$103,000</u>	45% of Directs
Subtotal	\$17,094,000	\$380,000	\$323 Per SF GBA
Developer Profit (12%)	<u>\$2,051,000</u>	<u>\$46,000</u>	\$39 Per SF GBA
Total	\$19,145,000	\$426,000	\$362 Per SF GBA

(1) Direct costs before prevailing wage impact.

Prepared by: Keyser Marston Associates, Inc.

Filename: \\sf-fs1\wp19\19035\19035.010\PROTOTYPE 5_Nexus 20043.xls;7/31/2008;lag

TABLE A-6
RENTAL PROJECT: AFFORDABLE RENTS AND UNIT VALUES
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION

Per Unit Affordable Rent

	Very Low (50% of AMI)	Low (80% of AMI)
Family Size	3	3
Number of Bedrooms	2	2
Household Income	\$35,550	\$56,900
Income Allocation to Housing	30%	30%
Monthly Housing Cost	\$888	\$1,423
(Less) Utility Allowance ¹	(\$40)	(\$40)
Maximum Monthly Rent	\$848	\$1,383

Net Operating Income (NOI) - Project and Per Unit

	Very Low (50% of AMI)		Low (80% of AMI)	
	Total	Per Unit	Total	Per Unit
Units	100	1	100	1
Gross Scheduled Income (GSI)				
Monthly	\$84,830	\$848	\$138,280	\$1,383
Annual	\$1,018,000	\$10,180	\$1,659,000	\$16,590
Other Income	\$12,000	\$120	\$18,000	\$180
(Less) Vacancy @ 5%	(\$51,000)	(\$510)	(\$83,000)	(\$830)
Effective Gross Income (EGI)	\$979,000	\$9,790	\$1,594,000	\$15,940
(Less) Operating Expenses ²	(\$450,000)	(\$4,500)	(\$450,000)	(\$4,500)
(Less) Property Taxes			(\$130,000)	(\$1,300)
Net Operating Income (NOI)	\$529,000	\$5,290	\$1,014,000	\$10,140

Source: Rents from San Diego Housing Commission Income and Rent Calculations

¹ Assumes San Diego Housing Commission (SDHC) 2008 utility allowances at \$40/month

² Includes replacement reserves, monitoring fee, assessments, etc.

000721

TABLE A-7
AFFORDABILITY GAP FOR RENTAL UNITS
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION

	<u>Very Low Income (50% AMI)</u>		<u>Low Income (80% AMI)</u>	
	<u>Total</u>	<u>Per Unit</u>	<u>Total</u>	<u>Per Unit</u>
Net Operating Income (NOI)	\$529,000	\$5,290	\$1,014,000	\$10,140
Target Return on Investment (Low)	N/A	N/A	8.0%	8.0%
Sources of Funds (Very Low)				
Supportable Debt	\$6,064,000	\$61,000	N/A	N/A
Market Value of Tax Credits	\$11,829,000	\$118,000	N/A	N/A
Deferred Developer Fee	<u>\$250,000</u>	<u>\$3,000</u>	N/A	N/A
Warranted Investment	\$18,143,000	\$182,000	\$12,675,000	\$127,000
(Less) Total Development Costs	<u>(\$32,690,000)</u>	<u>(\$327,000)</u>	<u>(\$29,380,000)</u>	<u>(\$294,000)</u>
Affordability Gap	<u>(\$14,547,000)</u>	<u>(\$145,000)</u>	<u>(\$16,705,000)</u>	<u>(\$167,000)</u>

000722

**TABLE A-8
AFFORDABLE PURCHASE PRICE
HOUSING IMPACT FEE NEXUS ANALYSIS
SAN DIEGO HOUSING COMMISSION**

	Moderate (120% of AMI)
Family Size	3
Number of Bedrooms	2
Household Income (Rounded)	\$77,880
Income Allocation to Housing	35.0%
Amount Available for Housing	\$27,258
Annual HOA ¹	\$3,900
Taxes & Assessment	1.25%
Annual Taxes ²	\$3,588
Available for Mortgage	\$19,771
Interest Rate	6.3%
Down Payment	5.0%
Supportable Mortgage	\$267,581
Add: Down Payment	\$19,000
Maximum Unit Price (Rounded)	\$287,000
Total Development Cost	<u>(\$426,000)</u>
Affordability Gap	(\$139,000)

1. Estimate.

2. Based on affordable sales price.

TABLE A-9
TOTAL HOUSING NEXUS COST.
HOUSING IMPACT FEE NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

BEFORE COMMUTE ADJUSTMENT

INCOME CATEGORY

Household Income Level	Affordability Gap ¹	Nexus Cost Per Sq. Ft.						
		OFFICE	HOTEL	RETAIL / ENTRTNMNT	HOSPITAL / MEDICAL	MANUFACTURING / INDUSTRIAL	WAREHOUSING / STORAGE	EDUCATIONAL
Under 50% Median Income ²	\$145,000	\$9.80	\$46.76	\$61.45	\$18.10	\$12.74	\$3.98	\$5.90
50% to 80% Median Income ²	\$167,000	\$75.28	\$98.15	\$121.15	\$82.38	\$50.49	\$14.37	\$30.50
80% to 120% Median Income ³	\$140,000	\$70.71	\$16.86	\$39.26	\$52.59	\$32.63	\$9.92	\$21.86
Total		\$155.78	\$161.77	\$221.85	\$153.07	\$95.86	\$28.27	\$58.26

AFTER 58.00% Commute Adjustment

INCOME CATEGORY

	Affordability Gap ¹	Nexus Cost Per Sq. Ft.						
		OFFICE	HOTEL	RETAIL / ENTRTNMNT	HOSPITAL / MEDICAL	MANUFACTURING / INDUSTRIAL	WAREHOUSING / STORAGE	EDUCATIONAL
Under 50% Median Income ²	\$145,000	\$5.68	\$27.11	\$35.63	\$10.49	\$7.39	\$2.31	\$3.42
50% to 80% Median Income ²	\$167,000	\$43.65	\$56.91	\$70.24	\$47.76	\$29.28	\$8.33	\$17.68
80% to 120% Median Income ³	\$140,000	\$41.00	\$9.78	\$22.76	\$30.49	\$18.92	\$5.75	\$12.67
Total		\$90.32	\$93.80	\$128.63	\$88.75	\$55.58	\$16.39	\$33.78

¹ Assume two-bedroom unit.

² Assumes households are housed in rental units.

³ Assumes households are housed in ownership units.

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO				1. CERTIFICATE NUMBER (FOR AUDITOR'S USE) 53			
TO: CITY ATTORNEY		2. FROM (ORIGINATING DEPARTMENT): San Diego Housing Commission		3. DATE: 01/06 10/15/08			
SUBJECT: Amendments to Housing Trust Fund Ordinance							
5. PRIMARY CONTACT (NAME, PHONE, & MAIL STA.) Cissy Fisher, M.S. 49N		6. SECONDARY CONTACT (NAME, PHONE, & MAIL STA.) Todd Philips 578.7558 MS 49		7. CHECK BOX IF REPORT TO COUNCIL IS ATTACHED <input checked="" type="checkbox"/>			
8. COMPLETE FOR ACCOUNTING PURPOSES							
FUND	346			9. ADDITIONAL INFORMATION / ESTIMATED COST:			
DEPT.	Housing Finance						
ORGANIZATION							
OBJECT ACCOUNT							
JOB ORDER							
C.I.P. NUMBER							
AMOUNT							
10. ROUTING AND APPROVALS							
ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	ROUTE (#)	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
1	CISSY FISHER DIRECTOR	<i>Cissy Fisher</i>	11/3/08	8	DEPUTY CHIEF	<i>2/M</i>	11/4/08
2	CARROL VAUGHAN EXECUTIVE VP & COO	<i>CV</i>	11/3/2008	9	COO		
3				10	CITY ATTORNEY	ALEX SACHS <i>AS</i>	11/17/08
4				11	ORIG. DEPT		
				DOCKET COORD: _____ COUNCIL LIAISON: _____			
				<input checked="" type="checkbox"/> COUNCIL PRESIDENT <input type="checkbox"/> SPOB <input type="checkbox"/> CONSENT <input checked="" type="checkbox"/> ADOPTION <input type="checkbox"/> REFER TO: _____ COUNCIL DATE: 12/2/08			
7							
11. PREPARATION OF: <input checked="" type="checkbox"/> RESOLUTIONS <input type="checkbox"/> ORDINANCE(S) <input type="checkbox"/> AGREEMENT(S) <input type="checkbox"/> DEED(S)							
Resolution to amend Municipal Code Chapter 9 Article 8 Division 5 to allow moderate income households (families with incomes of 80 percent to 120 percent of Area Medina Income) to participated in the Housing Commission's workforce housing home purchase program, whereby the Housing Commission can provide secondary financing for up to 15 percent of the purchase price and downpayment assistance.							
11A. STAFF RECOMMENDATIONS: Adopt the Resolution							
12. SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION.)							
COUNCIL DISTRICT(S): CITYWIDE							
COMMUNITY AREA(S):							
ENVIRONMENTAL IMPACT: AN ADDENDUM TO NEGATIVE DECLARATION NO. 89-1232 WAS PREPARED FOR THIS PROJECT IN ACCORDANCE WITH SECTION 15164 OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AS IS ON FILE WITH THE CITY OF SAN DIEGO DEVELOPMENT SERVICES DEPARTMENT. THE PUBLIC REVIEW PERIOD FOR THE ADDENDUM WAS 14 DAYS, AND NO COMMENTS WERE RECEIVED. THIS ACTIVITY IS EXEMPT FROM REVIEW UNDER THE NATIONAL ENVIRONMENTAL POLICY ACT AS NO FEDERAL FUNDS ARE INVOLVED.							
HOUSING IMPACT: WILL ALLOW ADDITIONAL FAMILIES TO BECOME ELIGIBLE FOR HOMEBUYER ASSISTANCE							
OTHER ISSUES: NONE							



REPORT TO THE CITY COUNCIL
EXECUTIVE SUMMARY SHEET

~~DATE REPORT~~ ISSUED: October 15, 2008

REPORT NO: CCR 08-004

ATTENTION: Council President and City Council
For the agenda of November 18, 2008

ORIGINATING DEPARTMENT: Housing Finance
SUBJECT: Proposed Amendment to San Diego Housing Trust Fund
Ordinance to Increase Income Limits for Homebuyer Programs
COUNCIL DISTRICT(S): Citywide
STAFF CONTACT: Cissy Fisher (619.578.7585)

REQUESTED ACTION:

Recommend City Council approval of the following amendments to the Municipal Code sections concerning the Housing Trust Fund as described in this Report.

STAFF RECOMMENDATION:

Amend City Municipal Code Chapter 9 Article 8 Division 5 "San Diego Housing Trust Fund" to allow Housing Trust Fund monies to be used to allow moderate income households (families with incomes of 80 percent to 120 percent of Area Median Income) to participate in the Housing Commission's workforce housing home purchase program, whereby the Housing Commission can provide secondary financing for up to 15 percent of the purchase price and downpayment assistance.

EXECUTIVE SUMMARY:

The Housing Trust Fund Ordinance allows individuals and families with incomes of up to 100 percent of area median income (AMI) to use Housing Commission homebuyer programs. This change would increase the income ceiling for eligibility to 120 percent of AMI, which would correspond with eligibility requirements for Redevelopment programs.

FISCAL CONSIDERATIONS:

None with this action.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This proposal was heard and approved at the Housing Commission meeting of March 14, 2008 and approved by a unanimous vote at the Land Use and Housing council committee meeting of June 18, 2008. A second recommendation, to increase the maximum HTF allocation to first time homebuyer programs from ten percent to twenty percent, was not approved and consequently was omitted from this Report.



COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

Housing Commission staff spoke with local affordable housing developers who expressed concern that funds usually reserved for rental housing production might be diverted to homebuyers. As noted, the Housing Commission's budget process is a control point for this change.

Statewide, many local jurisdictions have expressed interest in the proposal due to the extremely high cost of for-sale housing in their locales. Members of the San Diego City County Reinvestment Task Force expressed concern about the growth in the number of foreclosures in city neighborhoods and viewed this proposal as a positive step to alleviating this condition.

KEY STAKEHOLDERS & PROJECTED IMPACTS:

Stakeholders consist mainly of potential homebuyers who earn more than 80% AMI (\$63,200 for a family of four) and no more than 120% AMI (\$86,500 for a family of four). Secondary beneficiaries could include home sellers, lending institutions and others engaged in residential real estate sales activities.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Cissy Fisher".

Cissy Fisher
Director, Housing Finance

Approved by,

A handwritten signature in cursive script, appearing to read "Carol M. Vaughan".

Carrol M. Vaughan
Executive Vice President &
Chief Operating Officer

CITY ATTORNEY DIGEST

ORDINANCE NUMBER O-_____ (NEW SERIES)

DATE OF FINAL PASSAGE _____

EFFECTIVE DATE _____

AN ORDINANCE TO AMEND CHAPTER 9, ARTICLE 8,
DIVISION 5, OF THE SAN DIEGO MUNICIPAL CODE, THE
SAN DIEGO HOUSING TRUST FUND, IN ORDER TO
INCREASE INCOME LIMITS FOR HOMEBUYER
PROGRAMS BY AMENDING SECTIONS 98.0503 AND
98.0504.

This Ordinance amends San Diego Municipal Code Chapter 9, Article 8, Division 5, the San Diego Housing Trust Fund, in order to allow moderate income households to utilize homeownership programs funded by the Housing Trust Fund.

This ordinance contains a notice that a full reading of this ordinance is dispensed with prior to its final passage, since a written or printed copy will be available to the City Council and the public a day prior to its final passage.

This ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

A complete copy of the Ordinance is available for inspection in the Office of the City Clerk of the City of San Diego, 2nd Floor, City Administration Building, 202 C Street, San Diego, CA 92101.

AWS:mm
10/31/08
Or.Dept:SDHC
O-2009-72
MMS#6431

ORDINANCE NUMBER O-_____ (NEW SERIES)

DATE OF FINAL PASSAGE _____

AN ORDINANCE TO AMEND CHAPTER 9, ARTICLE 8, DIVISION 5, OF THE SAN DIEGO MUNICIPAL CODE, THE SAN DIEGO HOUSING TRUST FUND, IN ORDER TO INCREASE INCOME LIMITS FOR HOMEBUYER PROGRAMS BY AMENDING SECTIONS 98.0503 AND 98.0504.

BE IT ORDAINED, by the Council of the City of San Diego, as follows:

Section 1. That Chapter 9, Article 8, Division 5 of the San Diego Municipal Code is amended by amending Sections 98.0503 and 98.0504 to read as follows:

§ 98.0501 Purpose and Intent

(a) through (f) [No Change]

§ 98.0502 Establishment of the San Diego Affordable Housing Fund

(a) through (c) [No Change]

§98.0503 Purpose and Use of Affordable Housing Fund and Monies

(a) The Affordable Housing Fund shall be used solely for programs and administrative support approved by the City Council in accordance with Section 98.0507 to meet the housing needs of *very low income*, *low income* and *median income* households. In addition, for homeownership purposes only, these funds may be utilized to meet the housing needs of *moderate income* households where *moderate income* has the same meaning as in San Diego Municipal Code Section 113.0103. These

programs shall include those providing assistance through production, acquisition, rehabilitation and preservation.

(b) [No Change]

§98.0504 Purpose and Use of San Diego Housing Trust Fund Account

(a) The San Diego Housing Trust Fund may be used in any manner, through loans, grants, or indirect assistance for the production and maintenance of assisted units and related facilities. The San Diego Housing Trust Fund monies shall be distributed to the target income groups according to the following guidelines:

(1) through (3) [No Change]

(4) No more than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to assist *median income* and *moderate income* first-time home buyers purchase a home at an *affordable housing cost* with special consideration given to those proposals (1) involving neighborhoods that are predominately *low income* with substantial incidence of absentee ownership, or (2) which further the goals of providing economically balanced communities. *Affordable housing cost*, as defined for moderate income home buyers, shall also be consistent with California Health and Safety Code section 50052.5 for those households at or exceeding 100 percent (100%) of area median income.

- (b) The San Diego Housing Commission shall ensure that a program to increase the capacity of nonprofit organizations to develop and operate housing for *very low, low, median and moderate income* households be included in the Affordable Housing Fund Annual Plan to be submitted to the City Council in accordance with Section 98.0507. Through such a program, the Housing Trust Fund may fund training programs for nonprofit organizations, and provide funds for administrative support. Furthermore, the San Diego Housing Commission shall ensure that technical assistance related to the preparation of project proposals is made available to nonprofit organizations requesting such assistance.

- (c) [No Change]

Section 2. That a full reading of this ordinance is dispensed with prior to its final passage, a written or printed copy having been available to the City Council and the public a day prior to its final passage.

Section 3. That this ordinance shall take effect and be in force on the thirtieth day from and after its final passage.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By


Huston Carlyle
Chief Deputy City Attorney

AWS: HC:mm
10/31/08
Or.Dept:SDHC
O-2009-72
MMS#6431

I hereby certify that the foregoing Ordinance was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor

STRIKEOUT ORDINANCE

OLD LANGUAGE: ~~STRIKEOUT~~

NEW LANGUAGE: UNDERLINE

(O-2009-72)

ORDINANCE NUMBER O-_____ (NEW SERIES)

DATE OF FINAL PASSAGE _____

AN ORDINANCE TO AMEND CHAPTER 9, ARTICLE 8, DIVISION 5, OF THE SAN DIEGO MUNICIPAL CODE, THE SAN DIEGO HOUSING TRUST FUND, IN ORDER TO INCREASE INCOME LIMITS FOR HOMEBUYER PROGRAMS BY AMENDING SECTIONS 98.0503 AND 98.0504.

§ 98.0501 Purpose and Intent

(a) through (f) [No Change]

§ 98.0502 Establishment of the San Diego Affordable Housing Fund

(a) through (c) [No Change]

§ 98.0503 Purpose and use of Affordable Housing Fund and Monies

(a) The Affordable Housing Fund shall be used solely for programs and administrative support approved by the City Council in accordance with Section 98.0507 to meet the housing needs of *very low income, low income and median income* households. In addition, for homeownership purposes only, these funds may be utilized to meet the housing needs of moderate income households, where moderate income has the same meaning as in San Diego Municipal Code Section 113.0103. These

programs shall include those providing assistance through production, acquisition, rehabilitation and preservation.

(b) [No Change]

§ 98.0504 Purpose and Use of San Diego Housing Trust Fund Account

(a) The San Diego Housing Trust Fund may be used in any manner, through loans, grants, or indirect assistance for the production and maintenance of ~~assisted units~~ assisted units and related facilities. The San Diego Housing Trust Fund monies shall be distributed to the target income groups according to the

following guidelines:

(1) [No Change]

(2) [No Change]

(3) [No Change]

(4) No more than ten percent (10%) of the funds in the San Diego Housing Trust Fund account shall be expended to assist *median income and moderate income* first-time home buyers purchase a home at an *affordable housing cost* with special consideration given to those proposals (1) involving neighborhoods that are predominately *low income* with substantial incidence of absentee ownership, or (2) which further the goals of providing economically balanced communities. Affordable housing cost, as defined for moderate income home buyers, shall also be consistent with California Health and Safety Code section 50052.5 for those

households at or exceeding 100 percent (100%) of area median income.

- (b) The San Diego Housing Commission shall ensure that a program to increase the capacity of nonprofit organizations to develop and operate housing for *very low, low and median and moderate income* households be included in the Affordable Housing Fund Annual Plan to be submitted to the City Council in accordance with Section 98.0507. Through such a program, the Housing Trust Fund may fund training programs for nonprofit organizations, and provide funds for administrative support. Furthermore, the San Diego Housing Commission shall ensure that technical assistance related to the preparation of project proposals is made available to nonprofit organizations requesting such assistance.

- (c) [No Change]

AWS:mm
10/31/08
Or.Dept:SDHC
O-2009-72
MMS#6431

RESOLUTION NUMBER R-_____

DATE OF FINAL PASSAGE _____

A RESOLUTION CERTIFYING THE COUNCIL'S DETERMINATION OF THE SUFFICIENCY OF AN ADDENDUM TO NEGATIVE DECLARATION NO. 89-1232, REGARDING AN AMENDMENT TO THE SAN DIEGO HOUSING TRUST FUND ORDINANCE TO INCREASE INCOME LIMITS FOR HOMEBUYER PROGRAM ELIGIBILITY.

WHEREAS, in 1990, the City Council of the City of San Diego certified Negative Declaration No. 89-1232 in conjunction with its approval of an ordinance establishing the San Diego Housing Trust Fund; and

WHEREAS, the Council now proposes to modify the San Diego Housing Trust Fund, San Diego Municipal Code Chapter 9, Article 8, Division 5, in order to allow an increase in income limits for certain homebuyer program eligibility; and

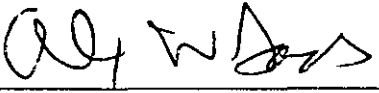
WHEREAS, the City prepared an Addendum to Negative Declaration No. 89-1232 in anticipation of the proposed changes to the Municipal Code; and

WHEREAS, there were no comments to the Addendum received during the statutory fourteen (14) day comment period; NOW, THEREFORE

BE IT RESOLVED, by the City Council of the City of San Diego, that it does hereby determine that the Addendum to Negative Declaration No. 89-1232, regarding the proposed amendments to the San Diego Housing Trust Fund, on file in the Office of the City Clerk, is approved and that the Addendum, as prepared by the City, is hereby approved, and that the information contained in the Addendum has been completed in compliance with the California Environmental Quality Act of 1970 [CEQA], as amended, and the State CEQA Guidelines, and

that said Amendment to the Negative Declaration has been reviewed and considered by this Council.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Alex W. Sachs
Deputy City Attorney

AWS:mm.
11/17/08
Or.Dept: Housing Comm
R-2009-656
MMS#6431

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of _____.

ELIZABETH S. MALAND
City Clerk

By _____
Deputy City Clerk

Approved: _____
(date)

JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor